
UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY


UNITED STATES OF AMERICA : Hon. Madeline Cox-Arleo
 :
 v. : Magistrate No. 10-8208
 :
 CHARLES K. SCHWARTZ : **CRIMINAL COMPLAINT**

I, the undersigned complainant, being duly sworn, state the following is true and correct to the best of my knowledge and belief:

SEE ATTACHMENT A

I further state that I am a Special Agent with the Federal Bureau of Investigation and that this Complaint is based on the following facts:


SEE ATTACHMENT B



Dale Wengler, Special Agent
Federal Bureau of Investigation

Sworn to before me and subscribed in my presence,
September 1, 2010 at Newark, New Jersey

HONORABLE MADELINE COX-ARLEO
UNITED STATES MAGISTRATE JUDGE



Signature of Judicial Officer

ATTACHMENT A

From at least in or about 2002 through at least in or about July 2010, in the District of New Jersey, and elsewhere, Defendant

CHARLES K. SCHWARTZ

did knowingly and willfully devise and intend to devise a scheme and artifice to defraud, and for obtaining money and property by means of material false and fraudulent pretenses, representations, and promises, and for purposes of executing and attempting to execute this scheme, Defendant did cause to be sent or delivered by any private or commercial carrier certain mail matter, as described in Attachment B below.

In violation of Title 18, United States Code, Section 1341, and Title 18, United States Code, Section 2.

ATTACHMENT B

INTRODUCTION

I, Dale Wengler, a Special Agent with the Federal Bureau of Investigation, having conducted an investigation, and having spoken with other individuals and reviewed reports and documents, have knowledge of the following facts:

1. At all times relevant to this Complaint, Defendant CHARLES K. SCHWARTZ was founder and President of Allied Health Care Services, Inc. (herein referred to as "Allied"), a New Jersey durable medical equipment corporation with offices in Orange, New Jersey. Allied was founded in approximately 1976.

2. At all times relevant to this Complaint, an individual who is named as a co-schemer but not as a defendant herein ("UC-1") was the sole owner of a New Jersey Corporation ("Company 1") which acted as a vendor of medical equipment.

THE SCHEME TO DEFRAUD

3. At all times relevant to this Complaint, Defendant CHARLES K. SCHWARTZ utilized fraudulent documents to obtain millions of dollars in loans from various financial institutions. In order to carry out this scheme, Defendant CHARLES K. SCHWARTZ requested and obtained medical equipment invoices from Company 1 through UC-1, which invoices falsely stated that Company 1 was providing valuable medical equipment to Allied. Defendant CHARLES K. SCHWARTZ solicited and then used these fraudulent invoices from Company 1 in order to seek and secure millions of dollars from financial institutions, purportedly to finance Allied's leasing of the medical equipment from Company 1. The financial institutions would, in turn, provide money directly to Company 1 to purchase the medical equipment, and Defendant CHARLES K. SCHWARTZ would agree to lease the medical equipment from the financial

institutions by making periodic lease payments to the financial institutions.

4. In fact, Company 1 provided no medical equipment to Defendant CHARLES K. SCHWARTZ or Allied. Instead, UC-1 transferred money obtained from the financial institutions to at least one company, named "C&C", which purported to be a distributor of medical equipment; in reality, this company was created and controlled by Defendant CHARLES K. SCHWARTZ for the purpose of carrying out the scheme to defraud.

5. UC-1 was compensated for his role in the scheme, in that he sent approximately 95-97% of the money received from the financial institutions to C&C, while keeping approximately 3-5% for UC-1's own benefit.

6. In order to repay the initial fraudulent money obtained as part of the scheme, Defendant CHARLES K. SCHWARTZ obtained additional money throughout the duration of the scheme in a similar fashion, each time using fraudulent invoices obtained from Company 1 through UC-1.

7. In furtherance of the scheme to defraud, and using the fraudulent invoice documents, Defendant CHARLES K. SCHWARTZ caused to be sent or delivered by mail various mail matter, including false invoices from Company 1 to Allied, false invoices from C&C to Company 1, and checks totaling more than \$87 million in fictitious proceeds from Company 1 to C&C.

THE OBJECT OF THE SCHEME TO DEFRAUD

8. The primary object of the scheme and artifice to defraud was for Defendant CHARLES K. SCHWARTZ, through the use of false invoices issued from Company 1 to Allied, to induce financial institutions to loan and send money to UC-1, who would in turn provide that

money, less UC-1's payment, to Defendant CHARLES K. SCHWARTZ.

THE MEANS AND METHODS OF THE SCHEME TO DEFRAUD

9. At various times throughout the relevant time period of the Complaint, Defendant CHARLES K. SCHWARTZ told UC-1 that he had many different financial institutions that were willing to provide him financing, but that he needed UC-1's assistance to help secure this financing.

10. In order to initiate the scheme with regard to a particular financial institution, defendant CHARLES K. SCHWARTZ either placed telephone calls or sent facsimiles or text messages to UC-1 in order to request that UC-1 prepare and send an invoice from Company 1. In response to such requests, Company 1 thereafter generated phony invoices, which falsely stated that the medical equipment at issue had been shipped to Allied, when in fact it had not. Thereafter, the financial institutions routinely sent a check directly to UC-1 and Company 1. After negotiating that check, UC-1 thereafter deducted 3-5% of the total amount as his payment, and sent the remainder of the money to C&C via check.

11. As an example, in an undated letter, defendant CHARLES K. SCHWARTZ wrote to UC-1 "Here's What I Need . . . 250 for Brandywine dated April 9th 2008 . . ." Thereafter, on or about April 4, 2008, Company 1 issued invoice #4696, dated April 9, 2008 to Allied, purportedly reflecting the sale of 50 LifeCare Products PLV 102 Home Care Ventilators at a cost of \$5,000 each, for a total invoice of \$250,000. Thereafter, on or about April 21, 2008, Brandywine Capital Associates issued a check in the amount of \$250,000 to Company 1, referencing "Inv. #4696 - Allied Health Care Services." On or about April 28, 2008, C&C issued invoice #30529 to Company 1 for \$237,500 (\$250,000 less 5% payment to UC-1).

12. As a further example, on or about July 13, 2009, Company 1 issued invoice #5896 to Max Leasing, USA, purportedly reflecting the sale of 100 LifeCare Products PLV 102 Home Care Ventilators at a cost of \$5,000 each, for a total invoice of \$500,000. The invoice specified that although the ventilators were “sold to” Max Leasing, USA, the ventilators were to be shipped to Allied. Thereafter, on or about July 23, 2009, Max Leasing, USA issued a \$500,000 check payable to Company 1, referencing invoice #5896 and the invoice date of July 13, 2009. On or about July 24, 2009, C&C sent an invoice for \$482,500 (\$500,000 less 3.5% payment to UC-1) to Company 1 for 100 PLV home ventilators, and on or about that same date, UC-1 wrote a check from Company 1's account to C&C for \$482,500.

13. In or around August 2010, UC-1 contacted Defendant CHARLES K. SCHWARTZ and told him that a bank examiner had contacted UC-1 and wished to view Company 1's stock of ventilators. Defendant CHARLES K. SCHWARTZ responded that if the bank examiner wanted to see UC-1's inventory, “we can always throw some machines down into your warehouse.” In response to UC-1 asking Defendant CHARLES K. SCHWARTZ whether he should call back a second bank examiner, Defendant CHARLES K. SCHWARTZ told UC-1 that “. . . [i]f it gets to the point that he wants to see where you bought them from, you give ‘em the same bullshit story you gave the bank when they came and wanted to see where you bought them from.” During a subsequent phone call in August 2010, UC-1 contacted Defendant CHARLES K. SCHWARTZ and asked Defendant CHARLES K. SCHWARTZ how he could explain to a bank examiner why the serial numbers on Company 1's invoices did not match the serial numbers on the ventilators purchased by Allied. In response, Defendant CHARLES K. SCHWARTZ replied that “we’ve always said that when you get the machines from wherever you

get them, you put your own serial numbers on them, right? That's the answer." When discussing the use of a false business address for Company 1, Defendant CHARLES K. SCHWARTZ told UC-1 that the funding sources that send money to Company 1 would rather see a business than a home address, and that the business address "lends more legitimacy and credibility to the whole thing anyway." Defendant CHARLES K. SCHWARTZ also told UC-1 that when UC-1 originally used his home address on invoices, the reason given to the financial institutions was so that the large checks did not go the business address; Defendant CHARLES K. SCHWARTZ then remarked that the financial institutions fell for this "hook, line and sinker."

USE OF THE INTERSTATE MAILS

14. The investigation conducted to date has revealed that, in connection with this fraudulent scheme, Defendant CHARLES K. SCHWARTZ engaged in numerous transactions in which false documents were submitted to financial institutions to induce those institutions to send money to Company 1.

15. For example, on or about November 27, 2006, Defendant CHARLES K. SCHWARTZ caused a check in the amount of \$500,000 to be mailed from American Bank Leasing to Company 1, referencing "Allied Health Care Services."

16. As a further example, on or about November 19, 2008, Defendant CHARLES K. SCHWARTZ caused a check in the amount of \$2,000,000 to be mailed from ACC Capital Corporation to Company 1, referencing "Allied Health Care Services."

17. As a further example, on or about January 8, 2010, Defendant CHARLES K. SCHWARTZ caused a check in the amount of \$1,000,000 to be mailed from Vendor Financial Services, Inc. to Company 1, referencing "Allied Medical Invoice 6535."

18. In this manner, Defendant CHARLES K. SCHWARTZ's scheme to defraud resulted in more than \$87 million in money obtained from financial institutions under false pretenses. Beginning at least as early as in or about May 2010, Defendant CHARLES K. SCHWARTZ and Allied began failing to make required lease payments to a number of the financial institutions which had sent money to Company 1 in connection with this fraudulent scheme. By in or about August, 2010, several of these financial institutions filed lawsuits against Defendant CHARLES K. SCHWARTZ and Allied, alleging more than \$20 million is due and owing to the financial institutions.